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SIPDIS

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SUBJECT: LIFE IN A "WILD WEST" SAPPHIRE MINING TOWN

REF: 07 ANTANANARIVO 175 AND PREVIOUS

¶1. (U) SUMMARY: Ilakaka, a town in Madagascar's southwest, is known both for the lucrative sapphire trade and its social consequences, including crime and exploitative labor. Most stories depict a dangerous town reminiscent of the "Wild West," where men stroll around carrying guns on their hips. Ilakaka most recently made international headlines in January 2007 for the murder of Osama bin Laden's brother-in-law, Mohammad Jamal Khalifa (reftel), by a group of bandits allegedly looking to avenge a gem deal gone bad. PolOff traveled to Ilakaka and the surrounding area to understand the rapidly changing economic dynamics, as well as the social impacts, of this mining boom town. END SUMMARY.

SAKALAMA SETS THE SCENE

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¶2. (U) Upon PolOff's arrival in Ilakaka, the town was buzzing about the latest mining site, Sakalama, where sapphires had been discovered near a riverbed just three weeks before. We drove to Sakalama on a barely passable dirt road alongside hopeful miners making the journey on foot and small taxis crammed with people, chickens, mattresses, and digging equipment. Two hours later, the road ended in a camp along the river composed of makeshift tents, essentially nylon sacks spread across tree branches, as far as the eye could see. Within three weeks, ten to fifty thousand people had descended upon the previously uninhabited site to try their luck at finding sapphires. Enterprising families had also set up tents selling chickens, hats, food, and even casino games. The sanitary and living conditions were appalling. Miners showed PolOff their dig sites pockmarked with holes 10 to 40 meters deep, in which they spend up to 24 hours at a time looking for gemstones. With not one latrine in all of Sakalama, people had defecated between the mining holes. Children could be seen playing around the holes or sifting through gravel for sapphires in the river with their parents. Miners swarmed around, eager to sell their gemstones for as little as two U.S. dollars in order to buy that day's meal. Seeking the head of Sakalama's law enforcement, PolOff erroneously approached a Malagasy man straight out of a western film - complete with cowboy boots, handlebar mustache, and a black cowboy hat with a "sheriff" badge. Explaining he was just a gem buyer, the man pointed to the gendarmes patrolling the tents armed with Kalashnikovs. On the drive back to Ilakaka, PolOff encountered at least ten empty-handed miners seeking rides back to town to treat the persistent coughs and dysentery they had picked up in Sakalama. The surreal scene triggered the question -- with such low odds of actually making a profit, why do so many people endure the squalor of sites like

Sakalama?

GOING BACK IN TIME: ILAKAKA IS BORN

13. (U) With the discovery of sapphires in Ilakaka in 1998, it went from a four-building hamlet along National Route 7 to a hastily erected mining boom town. Ilakaka quickly dwarfed Madagascar's two previous sapphire mining sites to produce somewhere between 30 to 50 percent of the world's sapphires. Workers, mostly men, initially flocked to Ilakaka with plans to get rich quick, return home, and resume their normal jobs as farmers and teachers. But as time went on, entire families transplanted themselves and "makeshift" infrastructure soon followed. Ilakaka and the surrounding mining villages that have sprung up along National Route 7 (hereafter referred to as the "Ilakaka zone") are a ramshackle mix of huts selling clothing, food, and pharmaceuticals; churches and mosques; and gem shops -- lots of them. Unfortunately, more permanent infrastructure like schools and hospitals has barely materialized. There is only one modest dispensary in Ilakaka town and eight primary schools in the whole mining zone.

14. (SBU) By some estimates, the Ilakaka zone is now home to a population of 65,000 to 90,000 people. UNICEF estimates the approximately 50 permanent mining sites in the entire area have attracted a migratory movement of as many as 200,000 people. Approximately 85 percent of residents in the area work in the mining sector; the rest work in the small business sector selling/buying gems, running hotels and restaurants, and selling household goods. Inhabitants are a mix of Malagasy tribesmen, as well as African and Asian (mostly Sri Lankan and Thai) gem dealers.

15. (SBU) Ilakaka's economic potential is considerable. Malagasy gem dealer Jean Noel, who has lived and worked there since 1998,

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estimates two tons of sapphires come out of Ilakaka every year. One carat of top quality sapphire can fetch 100,000 to 200,000 Ariary (USD 55 to 110) on the international market. He believes the region will not dry up for some 40 years, while other gemologists have placed the estimate closer to 50 years.

16. (SBU) Four local chiefs identified the following positive aspects of Ilakaka's boom. As mining sites immediately in or near Ilakaka town dry up, the town itself has become a commercial hub to buy and sell gems and other goods. Infrastructure is on the rise, and foreigners in particular are building luxury homes. Electricity is now available on a limited basis, and small businesses have been created for agriculture and husbandry. However, there are even greater obstacles to development. Education, which does not extend beyond primary school, is stymied by a shortage of trained teachers and classrooms. With only one generator providing the town with electricity from 6pm to midnight, there is a general lack of access to electricity and information. Local leaders worry investment in the zone may not last, as gem dealers continue to take their money outside of the country. Finally, crime is a constant source of concern; armed attacks by outside "mercenaries" or village youth on both Malagasy and foreigners who have recently bought or sold valuable stones are disturbingly common. While the local chiefs believe the security situation has improved since the Government of Madagascar (GOM) established 50 rotating gendarmes in Ilakaka in 2004, Jean Noel believes crime has gotten worse. He explained that the poorly paid gendarmes and police are easily corrupted by bandits to "loan" them their weapons for attacks. Victims have little recourse, as the nearest tribunals are one to three hours away by car.

WORKING IN THE MINES

17. (U) In the first few years of the sapphire rush, there was a simple three-tier division of labor: Malagasy manual laborers ("miners") dug the sapphires out of the ground and river beds; Malagasy middlemen ("businessmen") bought these stones cheaply at the mine site and then sold them to mostly foreign gem dealers, who then sold them abroad for easily ten times the original price.

Foreign gem dealers were not allowed to go directly to mining sites to buy stones, a rule still in place today. However, as foreign gem dealers realized there was little government regulation, they brought in their countrymen to take over as middlemen. Now, Sri Lankan and Thai "businessmen" are regularly seen frequenting the routes to the mining sites.

18. (U) Miners typically work in groups for one employer, usually a Sri Lankan or Malagasy. (Thais, by contrast, usually buy stones with the help of a "guide.") There are usually three different types of working arrangements: miners may receive payment in kind (food and equipment) for their daily work and later divide the proceeds of stone sales among the employer and miners in the group; miners may earn a daily wage of two USD or less but forfeit any share of stone sales; or miners may choose to band together in a group to work for themselves and sell directly to buyers. As most miners arrive at the sites with very little cash in their pockets, they willingly work up to 24-hour days in poorly ventilated holes up to 40 meters deep hoping to find stones for quick cash. Sanitary conditions are poor, as some sites suffer from a lack of latrines or potable water. As a result, with even rudimentary health care several hours away on foot, workers suffer from respiratory issues, tuberculosis, malaria, diarrhea or worse. Approximately 100 people are trapped and die in landslides every year. And all this with no contract; foreign and Malagasy employers alike discourage contracts by saying it is a matter of "trust."

19. (U) Unfortunately, most Malagasy miners do not know enough about their working rights or how to assess the quality of a gemstone to get an appropriate price for their labor. Sapphire buyers have exploited their lack of knowledge and the lack of market regulation to buy stones for a fraction of the international price. The GOM's four labor inspectors are stationed in the regional capital of Fianarantsoa four hours away - too far and too few to have any real impact on working conditions in the Ilakaka area.

WORST FORMS OF CHILD LABOR ABOUND

10. (SBU) A study conducted by an International Program for the Elimination of Child Labor (IPEC) consultant in 2006 showed that

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approximately 19,000 of Ilakaka's 21,000 children work. Approximately 15,200 (or 80 percent) work in the mines, while the rest work as domestics and prostitutes. From PolOff's consultations with local authorities and site visits, it seems most, if not all, cases constitute worst forms of child labor undertaken to assist the family in making ends meet rather than human trafficking conducted by a third party. IPEC divides Ilakaka's children into three main groups: 1) those younger than 7 years of age who do not attend school and stay in their village, 2) those age 7 to 14, some of whom attend school, but most of whom work in the mines or as domestics, and 3) those 14 to 17 years of age, most of whom are child workers whose wages go to their parents. Many 17-year-olds are already working for themselves.

11. (SBU) IPEC, UNICEF, and local officials in Ilakaka believe, and PolOff concurs, that most children working in the mines work in the family unit in the less lucrative informal sector. Girls and boys as young as 5 years old sift through miners' discarded piles of gravel in the riverbeds in the hope of finding sapphires. Older children carry water in buckets back to the village to sell. Starting at age 10, boys carry heavy loads of rubble on their heads and backs. Adolescent males flock to the sites and willingly work for extremely low wages in the hopes of finding the sapphire that will make them rich; the more business-savvy among them work as middlemen.

12. (SBU) In terms of child sexual exploitation, the local chiefs explained that most female underage prostitutes find their own clients (both foreigners and Malagasy) walking the main drag or in Ilakaka's only nightclub, but there are some cases where parents or friends are complicit (which UNICEF confirmed). IPEC also notes young women are often given in child marriage starting at 14 years old, and many are in situations of "concubinage" -- living with a

man without being legally married. Boys do not seem to be victims of child sexual exploitation in Ilakaka. Local police recently started monitoring hotels and nightclubs to ensure minors do not enter. In terms of domestic labor, most workers are girls between the ages of 13 and 17 who earn between 15,000 to 30,000 Ariary per month (USD 7 to 14), although some boys work as domestics as well. Local authorities and NGOs believe the vast majority of children working as domestics and prostitutes come to Ilakaka and find their clients directly of their own will.

¶13. (SBU) UNICEF estimates that in the permanent villages in the Ilakaka zone, only approximately 44.44 percent of the children attend school. However, in the mining sites where there are no schools, the rate is effectively zero. Many parents working in the mines either do not have enough money to send their children to school or do not see the need, as they themselves did not attend school.

WHERE IS THE GOVERNMENT?
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¶14. (SBU) Some Malagasy gem dealers who PolOff consulted believe the GOM has missed out on hundreds of millions of dollars in revenue through its spectacular failure to regulate the gem trade, establish an international market, maintain strict controls on foreign gem dealers entering Madagascar, and impose customs procedures for gems being exported. They note foreign gem dealers stay in the country illegally for years, exploit miners' lack of knowledge in order to buy gems at dirt-cheap prices, and smuggle the stones out of the country. Meanwhile, the GOM has not so much as established a bank in Ilakaka or trained Malagasy miners in order to help them get a decent price for their stones. They questioned how President Ravalomanana, a consummate businessman, has foregone this opportunity and surmised a number of government officials must be pocketing the money instead.

¶15. (SBU) Until recently, these gem dealers' assessment was partially correct. When questioned, the Secretary General of the ambitious Madagascar Action Plan (MAP) for development admitted the administration is not equipped to control the activities of foreign buyers and that some government officials may be lining their pockets by looking the other way. Where the government has failed to address working conditions on its own, international NGOs and local unions have stepped in. In 2006, Malagasy trade union leaders, supported by a German NGO, launched an initiative to unionize workers in every sector of the mining industry. Sponsored by the U.S. Department of Labor, IPEC recently kicked off a program to rescue 1,000 victims of child labor by providing them with

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remedial educational, vocational training, and medical and psychological services, and by training their parents on income-generating activities. But a local village chief voiced a common sentiment -- "We are fed up with surveys and statistics. Train us to improve the price of sapphires."

¶16. (SBU) 2008 has already seen greater GOM efforts at governance and institutionalization of the sapphire mining sector. Following public consultations, the Ministry of Mines has committed to building an Administrative Mining Office in the Ilakaka zone in August, which will provide miners with training to help them get a fair price for their stones and formalize and regulate the activities of buyers. Perhaps more interesting, on February 28 the government banned the export of several gemstones including sapphires, citing the need for extensive sectoral reform. PolOff's conversation with the Secretary General of the MAP suggests that instead of trying to control the international supply chain, the GOM may seek ways to help economic actors increase the value of stones locally, for example by facilitating the creation of jewel factories where gems can be sold in Madagascar at a higher price. On a broader scale, the Secretary General surmised that since small scale mining is included in the Extractive Industries Transparency Initiative (EITI), it is possible sapphire mining could fall under Madagascar's EITI plan.

¶17. (U) COMMENT: Ilakaka is quickly becoming a permanent economic

actor in Madagascar's southern region, and indeed in the world if one considers the reach of its sapphires. The zone's rapid and largely unregulated development has brought opportunities and challenges, both economic and social, in its wake. Recent GOM efforts to improve governance in the mining sector raise hopes that social issues such as child labor will be eradicated in the long term through the improvement of family's working conditions and economic earning potential. Post will continue to monitor the development of this economically dynamic mining zone. END COMMENT.

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